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TOWN OF SAN ANSELMO

COUNCIL ACTION MEMO

July 19, 1978

For the Council Meeting of July 25, 1978

Subject: State Surplus - To Take or Not to Take.

Discussion: The Council agreed on July 11 to discuss and possibly decide the above question on July 25.

This memo attempts to spell out key factors to aid the Council in reaching a decision. I will try to explore San Anselmo's particular situation, in the light of information gained in Sacramento July 7 and 8, and in relation to future years as well as this year.

The Adopted Budget: San Anselmo's budget surgery has reduced expenditure levels about 33%, ranging from 9% in the Fire Department and 15% in the Police Department to 46% in the Library. As indicated below, there is ample reason to believe that future revenues, not including anything from State surplus, will permit the present level of operations to be maintained. On the other hand, only time will tell whether some of the cuts are too extreme in relation to either public safety or quality of life considerations. It appears already that the cut in the Police Department is too extreme.

Present & Future  
Revenues Exclusive  
of State Surplus:

For convenience, revenues may be divided into three categories:

1. Remaining property tax
2. All usual non-property tax revenues
3. (optional) State surplus distribution.

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Going first to the first two:

1. Property Tax

a. 1978-79. The budget shows 1978-79 property tax revenue as totalling \$566,142 (revenue accounts 300 & 301). I have recalculated per SB 154 & 2212, and feel secure that the original calculation is quite close, although the precise figure will not be available from the County Auditor for several weeks.

b. Future. The 1979-80 assessment roll will produce an increase in property tax over the 1978-79 level. The 79-80 roll will include reappraisal to 1975-76 values of property not reappraised in that year (which the Assessor does not have time to do this year), then - current value of properties transferred and new construction between March 1978 and March, 1979, with an overall 2% increase.

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## 2. Non-Property Tax.

a. 1978-79. A number of revenue accounts were estimated conservatively in the J-G budget. These estimates now legitimately are increased in relation to 1) actual 1977-78 revenues as distinct from estimates, and 2) departure from the prior assumption that Jarvis-Gann would cause an economic pause. For example, 1977-78 sales tax revenue reached \$367,710 and \$400,000 is a reasonable estimate for 1978-79. This is \$40,000 over the prior estimate. Overall, reestimates and actual carryover balance produce an additional sum of \$125,000 which safely may be added to the 1978-79 budget (See "Two Courses" below for general recommendations).

b. Future. Most of these revenue sources may be expected to continue to grow. Furthermore, it is believed that the Legislature may, without violating Proposition 13, authorize cities to enact new non-property taxes for general purposes.

### 1978-79 State Surplus Distribution:

Although, again, a precise figure will not be available for several weeks, the State is estimating \$226,000 for San Anselmo or about the same as my June 26 estimate of \$230,000. This would be a 10% restoration vs your 33% loss. Incidentally, since the State distribution formula is not related to total revenue or prior property tax dependence, cities that are already relatively well off do proportionately better. For example, San Rafael is estimated to get \$604,000, Mill Valley \$379,000.

### Future State Surplus Distribution:

The 1979-80 distribution to local entities is expected to total \$3 billion, vs \$4.1 billion this year. The \$3 billion level may be maintained through 1981-82, depending on economic conditions. If the sum available to cities goes down in proportion to the total, the San Anselmo figure would go down to \$165,000. This probably is a maximum anticipation. See below under "Other Futures" for concern as to a new constitutional limit on State (and local) expenditures.

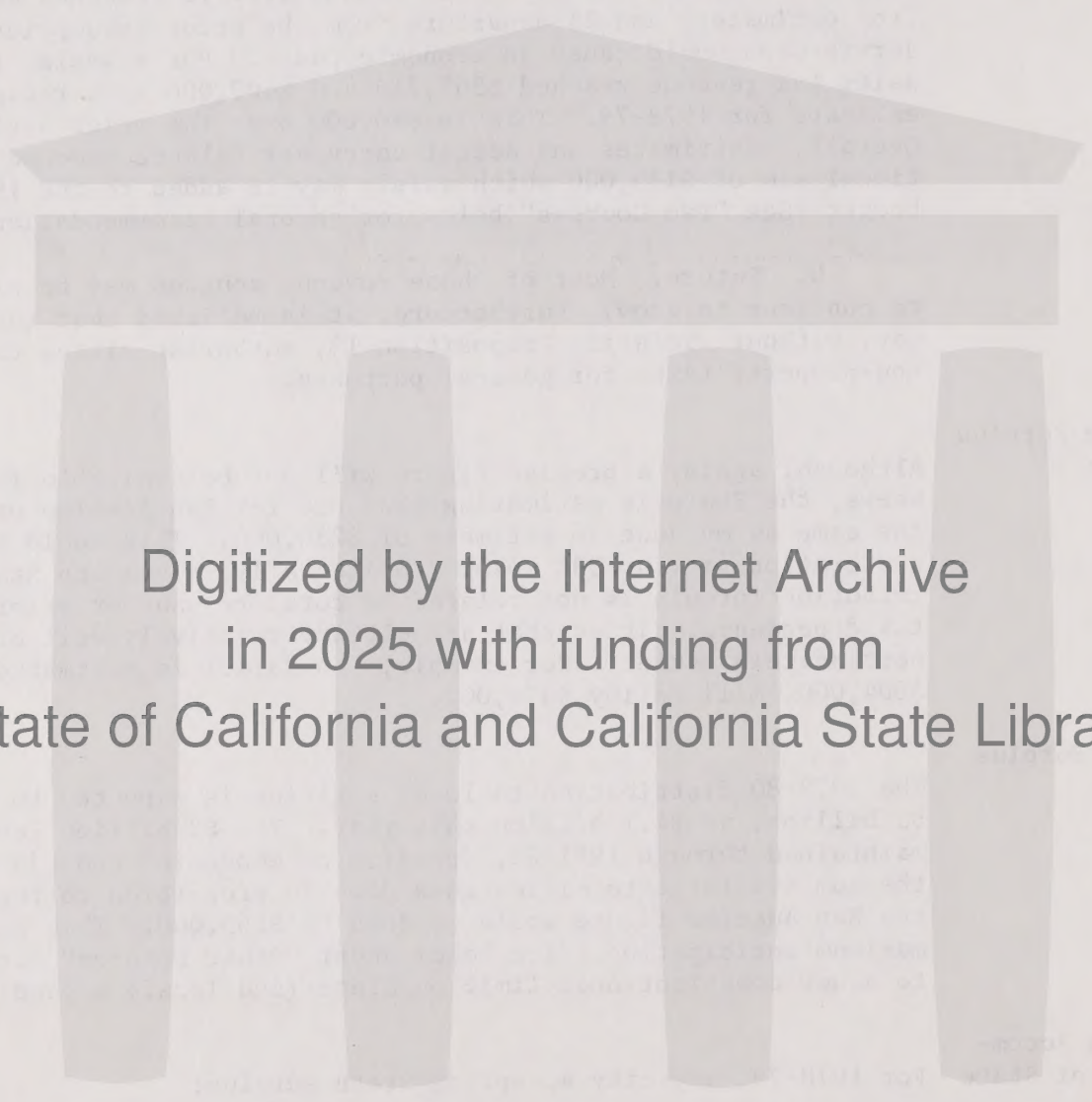
### Restrictions Accompanying Use of State Surplus:

For 1978-79, any city accepting State surplus:

a. will receive less than its entitlement if it has excess reserves (not a problem for San Anselmo).

b. cannot grant any pay raises (but can raise fringe benefits).

c. "in order not to jeopardize health and safety" shall continue "the level of police and fire protection programs actually provided in the 1977-78 fiscal year", but may change such programs to make them "more efficient and effective." Any such change determined by a City Council is a legislative act, final in absence of fraud or prejudicial abuse, challengeable only by an action filed within 90 days of the Council determination. According to the authors (legislative committee consultants) this language is ambiguous on purpose. It does not call for maintenance of manning or funding,



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nor does it define "protection" or "programs". It recognizes that in many cases sufficient funds are not made available to continue prior manning. It is meant to give leeway for local discretion.

The above restrictions apply in 1978-79 only. It is expected that in the future, users of State surplus may be subjected to:

1) compulsory arbitration

and/or 2) State-set police and fire salaries,

3) State-set police and fire program levels, with lower State funding support as indicated above.

Among Future Dangers: If the \$226,000 is used this year, and is used primarily to restore full police and fire manning, it would be difficult thereafter to make a sustainable legislative finding supporting efficiency and effectiveness changes. It follows that in future years, all of the then-reduced State funding would have to go to fire and police, other funds would be pulled in the same direction, and a new round of cuts in other Town services would be unavoidable.

Other Futures: Nothing particularly useful is expected either from pending Supreme Court review of Proposition 13, or from the Governor's Commission on Government Reform. However there is a strong possibility, as early as 1979, of a further constitutional amendment limiting both State and Local expenditures. If the limit on State expenditures is written or construed to apply to State aid to localities, future distribution from State surplus may shrink more or disappear.

Two Courses: Two courses of action seem prudent:

1. Turn your back on the State surplus. Use funds available from reestimation of non-property revenues for:

a. Restoration of two positions in the Police Department. This would equalize treatment of the two public safety departments, leaving each down only one position from prior authorized staffing. Further it would respond substantially to the expressed willingness of the San Anselmo Police Officers Association to forego salary and benefit increases in exchange for restoration of manning.

b. Restoration to regular departmental payrolls of positions temporarily continued under the affirmative action clause.

c. Judicious partial restoration of some temporary hire, service & supply, and capital outlay accounts which may have been cut too far.

2. Accept the State surplus. Use it for purposes similar to those listed above. But hold funds from reestimation of other revenues as a cushion against future reduction in State aid.





The two courses are similar, except the first leaves you freer of State controls, the second returns to San Anselmo some of the excess State taxes paid by San Anselmo residents. In neither case is it suggested that positions in non-public safety departments be restored, or other obligations incurred which could not be sustained in the future.

Source Note:

The above represents my take from what I heard in Sacramento, adapted to San Anselmo. I am sure others brought back different messages. The Sacramento sources include:

Don Benninghoven, Exec. Dir., League of Cities  
Wm. Keiser, General Counsel " " "  
Gus Demas, State Controller's Office  
Dave Doerr, Consultant, Assembly Rev. & Tax Comm.  
Fred Silva, " , Senate Comm. on Local Government  
Kurt Fiedler, lobbyist for Assessor's Assn.  
A. Alan Post, Chairman, Governor's Commission on Govtl. Reform

Motions:

1. To refuse State surplus distribution for 1978-79, reserving judgment as to future years.

or

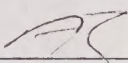
2. To accept State surplus distribution for 1978-79,

and

3. To schedule consideration of budget additions for the meeting of \_\_\_\_\_.

and

4. In the meantime, to authorize recruiting for two positions in the Police Department, which are intended to be restored per the above.

  
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ALAN BRUCE, Administrator

cc Department Heads

Mape  
SAPOA  
John Grey  
Chamber of Commerce  
Homes Association

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